DOCUMENT RESUME

ED 073 559 EA 004 949

AUTHOR	Anthony, Robert N.; Herzlinger, Regina E.
TITLE	An Accounting System for Public Schools. A Memorandum.
INSTITUTION	Harvard Univ., Cambridge, Mass. Graduate School of Business Administration.
SPONS AGENCY	Office of Education (DHEW), Washington, D.C.
PUB DATE	71
CONTRACT	OEC-0-70-5127
NOTE	75p.
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	*Accounting; Bookkeeping; *Comparative Analysis; Cost Effectiveness; Educational Finance; Federal Aid; Public Schools; *School Accounting; *School District Spending; *Systems Approach
IDENTIFIERS	CCI; Comparable Cost Information; *Federal Requirements

ABSTRACT

This memorandum proposes a set of accounts that school districts should maintain as a part of their total accounting system in order to (1) meet the needs of the Office of Education for financial information and (2) to compare their costs with those in other school districts. Labeled the Comparable Cost Information (CCI) by its originators, the structure presented is intended to show the "maximum" amount of accounting information that school districts need to collect for the purposes described. Should this proposal, or some modification of it, be adopted by a school district, a detailed accounting system can be designed that meets its own needs, with the assurance that (except for unforeseen future requirements mandated by the Congress) this system will also meet the needs of the Office of Education. Since the financial information needs of school districts differ, no attempt has been made to present an overall, unified financial accounting system applicable to all school districts. (Author/DN)

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AN ACCOUNTING SYSTEM FOR PUBLIC SCHOOLS

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EA 003 939

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AN ACCOUNTING SYSTEM FOR PUBLIC SCHOOLS[1]

Purpose

This memorandum proposes a set of accounts that school districts should maintain, as a part of their total accounting system, in order to (1) meet the needs of the Office of Education for financial information and (2) enable a school district to compare its costs with costs in other school districts. It is intended to state the maximum amount of accounting information that school districts need to collect for these purposes. If this proposal, or some modification of it, is adopted, a school district can design a detailed accounting system that meets its own needs with assurance that, except for unforeseen requirements that may in the future be mandated by the Congress, this system will also meet the needs of the Office of Education.

In addition to the accounts described here, a school district will of course maintain many more accounts to meet its local needs for financial information. Since these needs vary from one district to another, there is no way of specifying the details of a system that is optimum in a given school district.

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[1]This memorandum is a report prepared under Contract No. OEC-0-70-5127 between the Department of Health, Education, and Welfare and Harvard University. The authors would like to acknowledge the assistance of Mr. Robert J. Lord, who was the Research Assistant on the project; and the advice and counsel of Prof. Robert A. Howell of the Graduate School of Business Administration; Mr. John E. Moore, Jr., Administrative Assistant in the Kirkwood, Missouri, School System; and Mr. James G. Roche of the Graduate School of Business Administration. We are also grateful to the many members of the Office of Education for their assistance. Despite all this assistance, the responsibility for this work is that of the authors.

One might think that the information needed for the purposes stated above could be obtained by aggregating or otherwise combining the accounts in the proposed revision of Handbook II. This turns out to be almost, but not quite, possible. The structure described herein was made as nearly like Handbook II as could be done and still meet the purposes for which it was devised. As a working name, we label this the Comparable Cost Information (CCI) structure.

I. CONSIDERATIONS GOVERNING THE CCI ACCOUNT STRUCTURE

A. Need for two types of accounting data

The accounting systems for public schools in the United States can be thought of as consisting of two interrelated parts: (1) a centrally prescribed part, and (2) a part developed for the needs of local management.

The centrally prescribed part is developed by the Office of Education, and presumably is prescribed by State education agencies for the school systems in each state. Its purpose is to provide information that is reported according to a prescribed classification scheme and set of definitions. Such a prescription is necessary so that the data will be comparable from one school to another. Comparable information is needed by Federal and State agencies to monitor the operation of schools. Such information is also useful to a school district in comparing its costs with those of other school districts.

The part of the system that is developed for local use should be tailormade to local needs. These needs vary from district to

district, reflecting differences in grouping of grades (e.g., in some districts there are separate schools for K through 8, and 9 through 12; in others, there are separate schools for K, 1 through 6, 7 through 9, and 10 through 12), in organization (e.g., in some schools, instruction is organized primarily by grades; in others, by subject matter, in still others, by teams that cut across both grades and subject matter), in educational philosophy (some school officials think in terms of programs, others in terms of grades), and probably in other dimensions. Under these circumstances, a single centrally prescribed accounting system cannot possibly be optimum for all school districts.

Were it not for the necessity of collecting comparable information, and administering categorical grants, there would be no reason for a centrally developed account structure as part of the system. Indeed, it would be far preferable for each local district to develop an accounting system that best fitted its own needs, as is done in private business.

Any centrally prescribed information is likely to conflict, in some respects, with the information that is needed by local management. Compromises are therefore necessary between the goal of prescribing the ideal information for use outside the school district and the goal of making it possible for a school district to design an accounting system that is optimum for its own needs. In making these compromises, the tendency should be to give predominance to the needs of the school districts because they need detailed information constantly for day-to-day management purposes, whereas

outside agencies need only summary information and they need it only infrequently.

The centrally prescribed part of the system must be described precisely and in detail by the Office of Education in order to assure that the information reported by the school districts is what is intended to be reported. School districts should not be required to make their own interpretation of what is to be included in each of the specified accounts. The part that is designed for local needs, by contrast, should be described in detail by a central agency because of the variations in local needs from one district to another. This memorandum therefore focuses on the centrally prescribed part of the system.

B. Criteria

The proposed centrally prescribed Comparable Cost Information structure is constructed according to three criteria:

1) It should be useful.

2) It should be feasible.

3) It should be consistent with local needs.

1. Usefulness.

Information from the CCI structure should be useful for planning and for monitoring results.

For planning purposes, both State and Federal agencies need information on the purposes for which school funds are being spent. Such information provides the raw material for the development of the costs of proposed new programs (including the raw material needed for making cost/benefit analyses); it helps to detect

differences in costs among various programs, schools, school districts, and states that may suggest new courses of action; and it provides a basis for evaluating requests for new funds. Individual school districts should find this same information useful as a basis of comparing their actual or proposed costs with costs in other school districts.

For monitoring purposes, the CCI structure is primarily useful at the Federal level. It has been designed so that spending of categorical grants can be classified according to the categories prescribed by those grants. The best indication of the cost information needed at the Federal level is the Consolidated Program Information Report (CPIR) which was designed after a careful study of such needs. We have taken its contents as governing the accounts required for the CCI structure.

In particular, the Office of Education needs information in connection with the "comparability" requirement of Title I of the Elementary and Secondary Education Act of 1965. Under this Act funds are provided to school districts for additional emphasis on certain programs. In order to assure that these funds are in fact spent incrementally for the intended purpose, rather than being used to finance programs at levels which the school district had previously supported with its own funds, the Office of Education must be able to compare amounts currently spent for certain programs with the amounts previously spent for these same programs. The CPIR classification generally provides the structure needed for this purpose. The proposed CCI structure therefore goes somewhat

beyond the CPIR requirements in order to provide more precisely defined programs for comparability purposes.

The structure should also be useful for monitoring purposes at the State level, where it should provide a basis for ascertaining that funds allocated by the State were actually spent in the manner intended. Because of the obvious impracticality of finding out the information that each of the 50 state education agencies perceives that it needs, this report does not deal specifically with information requirements at the State level. Most states should find that the information required at the Federal level meets all or most of their needs. To the extent that additional information is required, each State will of course specify it.

In order to be useful, each account in the structure should be (1) unambiguous, and (2) homogeneous.

An account is unambiguous if all school districts record the same type of transaction in the same way. If, for example, some school districts record expenses for athletics as instruction costs whereas other school districts record athletic expenses as pupil support costs, the validity of comparisons is lessened. In many cases there are equally good reasons for recording a transaction in one place as in another. In such cases, the system must prescribe one of the two ways.

An account is homogeneous if transactions recorded therein have similar cost characteristics. If an account is not homogeneous, then cost comparisons derived from it are not valid. If, for example, an account for instruction costs lumps together costs of

the regular school year with costs of a summer program, then instruction costs per pupil will vary from one district to another according to the size of their summer program, and it will not be possible to make valid comparisons of the costs for the regular school year.

The requirement for homogeneity is relative. School districts vary from one another in innumerable ways, and it would not be feasible to set up accounts that take account of all possible causes of heterogeneity. Thus, the requirement is that the accounts be reasonably homogeneous.

The need for homogeneity also requires that the structure contain some accounts that are not needed, per se, by the Office of Education. All costs must be charged to some account. Although the Office of Education is presumably interested only in the costs of education, school districts spend money for other purposes, and there must be a place to record such expenses. Thus, in the CCI structure there is a program called Community Services. It exists not because the Office of Education needs to know how much was spent on such services, but rather to insure that these costs are not mingled with true education costs.

2. Feasibility.

There are over 20,000 school districts in the United States. Each of them has an accounting system, but these systems differ widely in form and content. Most systems focus on accounting by line item of expenditure, rather than by programs. The CCI structure must be such that it can be operated in such an environment

and at a reasonable cost.

In deciding on what information feasibly can be collected, the most important consideration is the way that schools are organized. It is relatively easy to collect accounting information that is consistent with a school's organization structure and work assignments, but it is quite difficult, and often not worthwhile, to collect information that cuts across work assignment patterns.

For example, if in a given elementary school each teacher is assigned to a certain grade and teaches several subjects to pupils in that grade, it would be relatively easy to collect instruction costs by grade in that school because this would require only that each teacher's salary and related costs be assigned to the grade in which she teaches. It would, however, be difficult to collect instruction salary costs by subject matter in that school, for this would require either that each teacher keep a record of the time she spent on each subject, which would be strongly resisted, or it would require a formula for allocating teachers' salaries to subjects (probably in accordance with lesson plans) which would be complicated and unreliable.

In general, allocations are to be avoided. Not only do they involve extra recordkeeping, but also they tend to be unreliable. The tendency to allocate a given charge to "whatever account can stand it" rather than according to some logical basis is well known; it is difficult to curb such practices.

This does not mean that the CCI structure should collect only costs that are consistent with work assignments, for there is so

much diversity of practice in school systems that such a requirement would rule out any centrally prescribed system at all. Rather, it means that the structure should take into account the predominant pattern of work assignment. Schools that do not fit this pattern will have somewhat more difficulty in collecting the required information, and the data they furnish will be less accurate; but these limitations must be accepted.

3. Consistency with Local Needs.

As already noted, the accounting system for a school district should fit the needs of that district. Much more information is needed by local management than that which is centrally prescribed. It is essential that the centrally prescribed requirements be specified in such a way that they can be obtained directly from the system that the school district needs for its own purposes. It would be most unfortunate if school districts had to maintain two separate sets of books, one to meet the centrally prescribed requirements and the other for local purposes. (This is the situation in the U. S. railroad industry, and the consequences are serious. Not only does the Interstate Commerce Commission requirement involve an expensive data collection effort that is separate from the information needed by railroad management, but also, and more importantly, the existence of the ICC requirement has inhibited railroad management from developing a system that is well adapted to their own needs.)

Conflict among Criteria. The foregoing criteria conflict with one another. There is a conflict between usefulness and feasibility.

If, in order to insure homogeneity, accounts are divided into minute categories, the bookkeeping job becomes so large as not to be feasible. Thus, it would be useful to collect instruction costs in elementary schools by grades and, within each grade, by subject area, but this would involve so many allocations and would require so many special rules (e.g., for handling ungraded schools) that its feasibility is questionable.

There is also a conflict between the need to be unambiguous, and the need for homogeneity. For example, the term "middle school" must be defined in such a way that each school district knows whether a given school does or does not fit in this category, but the inevitable consequence is that not all schools in the category are identical. Some may include grades 7 and 8; others grades 7, 8, and 9; and others grades 6, 7, and 8. Attempting to solve the problem by creating a category for each type of middle school leads to an unduly large number of categories and lessens the opportunity to make comparisons.

Thus, this proposal attempts to arrive at a set of definitions that are unambiguous but which group together elements that have similar cost characteristics. This is a compromise, and the design of a system involves a great many such compromises.

C. Principles for systems design

The foregoing criteria led to a set of principles that governed the construction of the accounts in the CCI structure. These are listed below.

1. The focus should be on programs, the purposes for

which costs are incurred.[2]

2. The main programs--the first break in a program structure--should be by types of school because that is the way most school districts are organized. (A school is an organization unit, usually in its own building and usually headed by a principal or other responsible individual.) Also, cost-per-pupil data by type of school are important for comparison purposes.

3. The subprograms should be structured so as to facilitate useful summary reports. (For example, regular instruction costs should be segregated from other costs.)

4. Program elements should, if feasible, provide information as classified in the Consolidated Program Information Report (CPIR).

5. Classification of schools should be unambiguous. Other classifications should also be unambiguous except that minor variations are permitted for situations in which local practices would cause undue complications if no latitude were allowed.

6. The need for allocations should be minimized, even at some loss in homogeneity.

7. School districts should be able to subdivide the CCI

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[2] As used here, "program" refers to the highest level in the structure, "subprogram" to the second level, and "program element" to the third level. For example: "Secondary schools" is a program; "Regular instruction in secondary schools" is a subprogram, and "regular instruction in English language in secondary schools" is a program element. In some instances, there are subdivisions of program elements. Accounts are kept by program elements, and costs of subprograms and programs are obtained by aggregating these accounts.

accounts to meet local needs. A separate system for local purposes should not be necessary.

II. THE PROPOSED CCI ACCOUNT STRUCTURE

This section describes the accounts that are proposed for the CCI structure, together with a discussion of the reasons for choosing this particular structure. The accounts are listed in Exhibit 1, and detailed definitions are given in Exhibit 2. The complete structure consists of (a) a set of about 600 program elements grouped into subprograms and programs, and (b) a set of eight expense elements (which correspond to the traditional object classes).

A. Overview of the Structure

The structure collects operating costs, as distinguished from capital outlays, and also as distinguished from information on assets and liabilities. Operating costs are, in general, the cost of resources consumed in operations, as measured in accordance with the accrual concept. Certain exceptions to the strict interpretation of the accrual concept are made, as described subsequently.

The structure classifies these costs by programs and within most programs by subprograms and program elements.

There are pairs of programs for elementary schools, middle schools, high schools, vocational and technical schools, and junior colleges; one program of each pair is for the regular session, and the other is for the summer session. In addition, there are programs for adult education, community services, system-wide expenses, and nonprogram costs.

Under each of the instruction programs are the following subprograms:

x.1 Regular Instruction

x.2 Other Instruction

x.3 Instruction Support

x.4 Pupil Support Services

x.5 Other Pupil Support Services

x.7 Plant Maintenance and Operation

x.8 Administration and General.

Under all of these subprograms except x.7 are program elements, which are the actual accounts to which charges are to be made. The program elements for Regular Instruction are subject areas (e.g., English, foreign languages, social sciences/social studies, sciences). Those for Other Instruction are subject areas (as above) for remedial work, plus program elements for various types of special education. Program elements for Instruction Support include activities directly related to the instruction process, such as libraries and audio/visual. Program elements under Pupil Support Services include activities for the benefit of pupils, but not directly related to instruction, such as health services and student activities. Program elements under Other Pupil Support Services include food services and transportation.

Not all these program elements are prescribed for all school districts. Many are prescribed only for those school districts that have categorical grants for the specified activities. For school districts that do not have such grants, the total number of program elements is far less than the 600 maximum.

B. Considerations Governing the Choice of Programs

The main instruction programs are intended to conform reasonably closely to organization units, i.e., elementary schools, middle schools, high schools, vocational and technical schools, and junior colleges.

These organization units are defined in such a way that the traceable costs of operating a given school are classified into one, and only one, of these categories. This avoids the necessity of prorating costs incurred in a given school, thus greatly simplifying the recordkeeping problem. It does not mean that the schools included in a given category are exactly homogeneous, but they are believed to be sufficiently homogeneous to permit valid comparisons among the schools in each category.[3]

Types of School

Schools that have any of grades K through 12 are classified as follows:

Elementary is a school that includes at least grades 1-4, and/or kindergartens. By this definition, schools with grades 1-3, 1-4, 1-5, 1-6, 1-7, and 1-8 would be included, as would those few schools that have grades 1-12. The latter type is admittedly not homogeneous with the others, but they are such an insignificant part of the total school spending that the error is not important. Furthermore, such schools are usually small; they need, and can

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[3] Because the official definition of types of school varies among states, often because of State law, there is no way of constructing definitions that exactly fit all schools.

afford, only a simple set of accounts. In this, and in the other, categories provision is made for classifying ungraded schools according to the age of the pupils that attend them.

Secondary is a school that includes at least grades 11 and 12. By this definition, schools with grades 7-12, 8-12, 9-12, and 10-12 would also be included.

Middle is any other school with grades not higher than 10. By this definition, schools with grades 4-6, 5 and 6, 7 and 8, 7-9, 8 and 9, and other similar patterns would be included. For local purposes, a school district might well want to divide this category into two subcategories, such as (a) 5 and 6 and (b) 7-9, if it is organized in this fashion. Such a breakdown may be desirable for the CCI structure; this is a point that needs further discussion.

Regular Session and Summer Session

For each type of school, there is one program for the regular school year and another program for the summer. The decision to segregate the cost of summer programs in such detail was arrived at reluctantly because it almost doubles the number of accounts in the structure. Nevertheless, it appears that an increasing number of school districts operate summer programs and incur significant amounts of cost for them. Since the amount of such costs varies widely among school districts, the per-pupil costs of education during the regular school year might be significantly distorted if summer program costs were lumped in with regular-session costs.

We considered two other alternatives for solving the summer

problem: (1) A single program for summer instruction of all types; (2) subprograms for summer instruction. The first would not provide all the information needed to administer categorical grants. The second turned out to be more cumbersome than the alternative decided upon.

Other Programs

In addition to the main instruction programs, there are other programs, as follows:

11. Adult Education. This collects the expenses of educational activities carried on for other than regularly enrolled pupils. The expenses of such programs must be separated from those of regular programs so as not to distort the per-pupil cost of these programs. No breakdown is prescribed unless required by grantors.

12. Community Services. This program is for the expenses of noneducational activities carried on by the school, such as community recreation, civic activities, public library, custody and care of children, and welfare.

19. System-Wide Expenses. This program is for expenses that are incurred for more than one type of school and which cannot feasibly be traced directly to one type of school. Use of this separate program category avoids the necessity for allocating such costs to individual types of schools.

20. Nonoperating Costs. This program is used for capital expenditures, debt service, and other costs not associated with operating the school system.

C. Subprograms and Program Elements

The subprograms are defined consistently under each of the instruction programs. Comments about each are given below.

x.1 Regular Instruction

For elementary schools, no breakdown is prescribed, except in those schools that have grants requiring such a breakdown. Because most elementary schools are organized by grade, the only feasible breakdown would be by grade, and the value of such a breakdown is judged not to be worth the cost. A breakdown by subject area would require time cards or some similar elaborate method of apportioning salary costs.

For other schools, this program is broken down by subject area. The breakdown is essentially that given in the CPIR.

x.2 Other Instruction

The subprograms given under this program indicate its content. These subprograms, however, would be prescribed only in those schools in which the information is required by fund grantors.

x.3 Instruction Support

This program includes the costs of activities that directly support the instructional program: libraries, central audio/visual services (i.e., services that cannot be charged directly to an instructional program), and guidance activities. Detailed accounts are provided to meet the needs of certain fund grantors.

x.4 Pupil Support Services

This program includes expenses that are incurred for the benefit of pupils, but not directly in support of instruction:

Athletics, Health, and Attendance. (The inclusion of athletics here is tentative; there are good arguments for including athletics under Instruction Support.)

x.5 Other Pupil Support Services

This program includes expenses for food services and transportation.

x.7 Plant Maintenance and Operation

Although this program would contain many detailed accounts to meet the needs of local management, no breakdown is believed to be necessary for the centrally prescribed structure.

x.8 Administration and General

This program includes the expenses of administration and of personnel and program development for individual types of schools and corresponding expenses that are traced directly to a given level of instruction. (System-wide administration and general expenses are in Program 19.)

Program Elements

The program elements are structured in sufficient detail to provide the information required by the CPIR. In most respects, this amount of detail seems sensible, but in two instances we question whether it is feasible. We suggest that those requesting the information consider the question: Is this detail important enough to warrant setting up separate accounts, or can information of adequate accuracy be obtained outside the formal accounts? These two instances are:

x.83 Program development. Is it desirable to break this

program element into four subelements: research and development, planning, evaluation, and demonstration?

19.811 Information Dissemination. Is this account worthwhile?

D. Expense elements

All expenses can be classified as labor, material, or services. For most purposes, the Office of Education is interested only in the total cost of a program element, but for some purposes it needs a breakdown by type or object of expense. The proposed CCI structure provides for eight types: three for labor, three for material, and two for services.

Labor is by far the largest element of cost in a school district, so it seems appropriate to classify total labor costs in some useful way. There are two main alternatives: (1) by type of payment (regular, overtime, fringe benefits, etc.) or (2) by type of employee. We believe the latter is more useful.

Most systems attempt to classify labor costs in a way that indicates employee status, such as professional and other, exempt and nonexempt, or salary and wage. In view of the importance of teachers, the CCI structure classifies them separately from other professionals, and therefore has three categories: teachers, other professionals, and nonprofessionals.

Material costs are classified as either books and periodicals, other materials and supplies, or equipment. The book-and-periodical expense element is required to meet the requirements of CPIR; otherwise we would not have used it. The program element would indicate reasonably well what the nature of the material expense is.

The equipment item is often not found in an expense accounting system. Instead, purchases of equipment are capitalized and are charged off periodically as an expense through a depreciation mechanism. At some future time, it may be desirable to include such a mechanism in the accounting systems for public schools, but we doubt that this time has arrived. In the absence of depreciation, there are two ways of handling equipment purchases; (1) omit them, or (2) charge them as if they were an expense when acquired. In the proposed CCI system, the initial equipment of new school facilities and major items of equipment are omitted, whereas relatively minor equipment purchases are included. Since those items that are included tend to be replacements, the effect is roughly the same as charging depreciation. It is not exactly the same because the amount of equipment purchases is not constant from one year to the next, and because there is a tendency to make equipment purchases for other than replacement purposes.

In drawing the line between equipment to be included as an expense and that to be excluded, we attempted to make a distinction that is similar to the one school districts use in deciding on whether an item should go in its operating budget or in its capital budget. Since practice varies, of course, our distinction will not fit all cases.

III. COMPARISON WITH OTHER STRUCTURES

A. Handbook II

According to the contract under which it was prepared, the revised Handbook II is to describe a set of accounts that should be "flexible enough to be useful and applicable to school districts of all sizes, and should include all categories essential to statistical comparability at the local, State, and Federal levels." In accordance with this mandate, the proposed revision contains several categories, each with a detailed list of accounts. Some of these categories are not relevant to the present purpose, although they are necessary in a complete accounting system. These include accounts to record the source of funds, transfers of funds between sources, capital expenditures, and assets and liabilities. The CCI structure focuses only on expenses and therefore has none of the above accounts. Those categories in Handbook II that are comparable with the CCI structure are:

Title	Example	No. of Items
Instructional Organization	Elementary	6
Function	Instruction and Curriculum Development	139
Term	Fall Term Day	6
Subject Matter Area	English Language Arts	22
Activity Assignment	Accounting Assignment	56
Objects	Salaries	51

Conceptually, the number of possible accounts in the Handbook II could be derived by calculating the possible combinations of

these categories. Actually, not all the possible combinations could in fact occur. A rough estimate of the number of accounts that might actually be produced by the system was derived as indicated in Table 1. This indicates that the system might generate about 8,000 separate program accounts, comparable to the maximum of 593 accounts in the CCI program structure.

However, approximately 45% of the CCI program elements are prescribed only for those school districts that receive grants for the activities described. The actual number of CCI accounts in any school district should therefore be considerably less than 593.

If the accounts be further expanded by expense elements (i.e., object classes), there is an absolute maximum of 593 x 8 = 4,744 accounts in the CCI structure.[4] Handbook II lists 51 object classes. It also lists 56 activity assignments which are in effect subobjects for the three salary object classes, so there could be 216 object categories (48 + 3 x 56). These, however, would not be applicable to all the accounts. If we take 15 as a rough indication of the object classes that are applicable to an average account, the total number of accounts in the Handbook II system becomes 119,000.

As we understand it, Handbook II is not to be viewed as a prescribed set of accounts, but rather as a guide which local school districts may follow, in whole or in part, in constructing the

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[4] This is a substantial overstatement because not all expense elements would appear under each program element.

Table 1

Rough Estimate of Program Elements

in Handbook II System

Function	Elements	x	Inst. Org.	x	Term	x	Subj. Area	x =	Total
1110	1		1		6		22		132
1120	1		1		6		22		132
1130	1		1		6		18		108
1140	1		1		6		4		24
1190	1		1		6		22		132
1200	7		5		6		22		4,620
1300	1		1		6		22		132
1320-90	6		1		6		4		144
2111-59	25		6		6		-		900
2211-29	10		6		6				360
2311-29	13		1		6				78
2331-49	8		6		6				288
2351-69	14		1		6				84
2370-79	4		6		6				144
2380	10		1		6				60
2411-39	15		6		6				540
2440	10		1		6				60
3000	7		1		1				7
4000	3		1		1				3
						Total			7,948

accounting system needed for local management purposes.

Few school districts would follow Handbook II exactly, for their local needs are unlikely to be exactly satisfied by Handbook II. For example, Handbook II defines 22 subject matter areas, but the typical school district organizes its subject matter programs into more or less than 22 areas. Furthermore, if the instructional program in a given subject matter area differs in content from that contemplated in Handbook II, the school district would prefer to classify costs according to actual program content rather than that given in Handbook II. Above all else, the school district chooses an organization for what it believes to be good reasons. Its accounting system should fit the way it chooses to organize; a school district should not be forced to organize its instruction programs so as to fit an accounting system.

Nevertheless, Handbook II provides a useful starting point for creating subject area accounts. Many of the subject matter areas in a given school district probably correspond to those given in Handbook II, and for these the school district can use the carefully worked out definitions in Handbook II. For the remainder, it can probably modify or combine Handbook II definitions with little difficulty. Thus Handbook II greatly facilitates the work of systems design.

The accounting information required to be furnished to outside agencies must be much less detailed than is set forth in Handbook II. The 600 program elements and the eight expense elements in the CCI structure represent, we believe, about the maximum that should be

prescribed. In essence, the CCI accounts are aggregations of accounts in the proposed Handbook II, but there is no straightforward way of describing the relationship between the two sets. The CCI accounts were constructed not by simply selecting appropriate summary levels from Handbook II, but rather by selecting, one by one, the items that fitted the purposes for which CCI is intended. In most cases these items correspond to items, or summaries of items, in Handbook II; in some cases they do not. Table 2 gives an approximate, but not exact, statement of these relationships.

B. Consolidated Program Information Report (CPIR)

The Consolidated Program Information Report is just that, a report. There is no requirement that school districts maintain accounts that are consistent with CPIR items. Without such a requirement, it is almost impossible to insure the validity of CPIR information. Auditors cannot make an adequate audit of financial information that is not subject to the debit-and-credit discipline of an accounting system.

The proposed CCI system would provide an accounting foundation for most, but not all of the information reported in CPIR. The exceptions are as follows:

1. The CCI structure does not collect costs classified by certain target populations (e.g., minority groups) although it does collect costs for other target populations (e.g., handicapped). We have concluded that the complications involved in collecting all target population costs within a formal accounting system are not worthwhile, and that information can be collected with sufficient

Table 2

Comparison Among the CCI, Handbook II, and the CPIR

CCI Category (Number and Title)	Handbook II			CPIR		
	The Same or Similar	Different	Not included	The Same or Similar	Different	Not included
1. Elementary Schools, Regular		x				x
2. Elementary Schools, Summer		x				x
3. Middle Schools, Regular		x				x
4. Middle Schools, Summer		x				x
5. High Schools, Regular		x				x
6. High Schools, Summer		x				x
7. Vocational Schools,[1] Regular	x					x
8. Vocational Schools,[1] Summer	x					x
9. Junior Colleges,[1] Regular	x					x
10. Junior Colleges,[1] Summer	x					x
11. Adult programs	x					x
12. Community Services	x					x
19. System-Wide Expenses		x				x

[1]Handbook II collects instruction costs for these categories, but not instructional support, pupil services, operation and maintenance, and administration and general.

Table 2 (Continued)

CCI Category (Number and Title)	Handbook II			CPIR		
	The Same or Similar	Different	Not included	The Same or Similar	Different	Not included
x.1 Regular Instruction		x		x		
x.11 English Language Arts[2]	x				x	
x.12 Foreign Languages	x			x		
x.13 Social Sciences/ Social Studies	x			x		
x.14 Sciences	x			x		
x.15 Mathematics	x			x		
x.16 Cultural[3]	x			x		
x.17 Occupational[4]	x			x		
x.18 Physical Education	x					x
x.19 Other Regular Instruction[5]	x			x		
x.2 Other Instruction[6]	x			x		
x.21 Remedial Instruction			x	x		
x.211 English			x	x		
x.212 Reading			x	x		
x.213 Social Sciences/ Social Studies			x	x		

[2]The CCI category includes reading, unlike the CPIR.

[3]A combination of Handbook II's art and music subject matter. The CPIR includes foreign languages under cultural classification.

[4]A combination of nine Handbook II subject matter classifications.

[5]A combination of five Handbook II subject matter classifications.

[6]Unlike Handbook II, includes remedial and reclassifies the culturally handicapped.

Table 2 (Continued)

CCI Category (Number and Title)	Handbook II			CPIR		
	The Same or Similar	Different	Not included	The Same or Similar	Different	Not included
x.214 Natural Sciences		x		x		
x.215 Mathematics		x		x		
x.216 Cultural		x		x		
x.217 Foreign Language		x		x		
x.219 Other		x		x		
x.22 Special Education[7]	x			x		
x.221 Gifted & Talented	x				x	
x.222 Mentally Retarded	x				x	
x.223 Physically Handicapped	x			x		
x.224 Socially and/or Emotionally Handicapped	x			x		
x.29 Other			x			x
x.3 Instruction Support			x			x
x.31 Libraries[8]	x			x		
x.32 Audio/Visual[8]	x			x		
x.39 Other Instructional Media	x					x
x.4 Pupil Support Services			x			x

[7]Unlike Handbook II, the Special Education category does not separately account for the culturally disadvantaged. Unlike the CPIR, the Special Education category includes the mentally gifted and retarded.

[8]The CPIR data for Libraries & Audio/Visual are obtained through the cross-tabulation of the CCI function and expense elements.

Table 2 (Continued)

CCI Category (Number and Title)	Handbook II			CPIR		
	The Same or Similar	Different	Not included	The Same or Similar	Different	Not included
x.41 Attendance & Social Work[9]	x			x		
x.42 Guidance & Counseling			x	x		
x.421 Vocational Guidance & Counseling			x			
x.422 Testing			x	x		
x.429 Other Guidance & Counseling			x	x		
x.43 Psychological Services	x			x		
x.44 Health Services	x			x		
x.45 Special Services for the Handicapped			x	x		
x.46 Athletics	x					x
x.47 Student Activities	x					x
x.48 Student Subsidies[10]			x	x		
x.5 Other Pupil Support Services						
x.51 Food Services	x			x		
x.52 Transportation	x			x		
x.7 Plant Maintenance and Operation	x			x		

[9] A combination of two Handbook II accounts.

[10] The Welfare account under Community Services in Handbook II includes this definition but is larger than it.

Table 2 (Continued)

CCI Category (Number and Title)	Handbook II			CPIR		
	The Same or Similar	Different	Not included	The Same or Similar	Different	Not included
x.8 Administration and General			x			x
x.81 Instructional Administration			x	x		
x.811 School-Wide Direction & Management			x	x		
x.812 Instructional Supervision			x	x		
x.82 Personnel Development	x			x		
x.83 Program Development[11]	x			x		
x.831 R&D	x			x		
x.832 Planning	x			x		
x.833 Evaluation	x			x		
x.834 Demonstration[11]			x	x		
19.8 Administration			x			x
19.81 General Administration	x			x		
19.811 Information Dissemination	x			x		
19.82 Instructional Administration			x	x		
19.821 System-Wide Direction and Management	x			x		
19.822 Instructional Supervision	x			x		
19.84 Program Development (see x.83 above)						

[11] Handbook II does not include demonstration as an account under Program Development.

accuracy outside the accounting system.

2. The CCI structure does not collect costs classified by the grant program from which the funds were obtained. Again, the reason is that this would unduly complicate the formal system.

3. The CCI structure does not collect information on capital outlay programs, since it is strictly related to operations. The complete accounting system of the school district should of course include accounts for capital outlays and for other assets, but we believe that these should be separated sharply from the accounts for operating expenses; otherwise comparability of operating expenses would be lost.

4. CPIR classifies instruction costs by subject at all levels. The CCI structure does not have a subject classification at the elementary level, unless required by a grantor.

5. CPIR classifies the following as program elements: textbooks, audio/visual materials; library books, periodicals and other materials; and school library, audio/visual and other media personnel. The CCI structure permits identification of these costs, but through a combination of expense elements and program elements, rather than as separate program elements. This is strictly a mechanical difference.

6. CPIR contains a program element for Reading. The proposed CCI structure combines Reading with English Language in the Regular Instruction subprogram.

As Table 2 indicates, the CCI structure furnishes practically all the information that is called for in the CPIR, and it furnishes

costs classified by types of schools that are not called for in the CPIR.

IV. COMPARABILITY

Title I of the Elementary and Secondary Education Act of 1965 authorizes spending for "special educational programs for children in attendance areas where low-income families are concentrated." Section 109 of P.L. 91-230 requires that the Office of Education see to it that these funds are in fact spent to supplement programs that are, or would be, financed by State and local funds, rather than to supplant spending from State and local sources. A way of insuring that this objective is achieved is to compare State and local spending on relevant programs in Title I schools with spending on corresponding programs in other schools in the school district. This is what is meant by "comparability".

Alternatively, the same result can be achieved by comparing total spending per pupil on relevant programs in Title I schools with per-pupil spending on these programs in other schools. The total spending in Title I schools should exceed the total in other schools by the amount of the grant under Title I. This alternative approach to comparability is easier to incorporate in an accounting system since it does not require that spending of Title I funds be classified separately from spending of State and local funds.

The Comparable Cost Information structure has been designed so that it will furnish the accounting data required to establish that comparability does exist.

The importance of obtaining this information from an accounting system should be stressed. Financial information that does not come from an accounting system is unreliable. If a school district

is permitted merely to "report" its spending and if such reports are not based on information that comes from a formal accounting system, there is no good way of finding out the extent to which the report states the actual amounts spent. Without an accounting system, the school district necessarily has to guess at the amounts to put in a report. It is unlikely that such guesses would report information that is knowingly inconsistent with what OE expects to find on the report. There is no good way in which OE auditors can audit such reports.

The CCI structure provides three types of information that are useful in establishing comparability.

First, it provides information on total spending for instruction and for instruction support, for elementary, for middle, and for secondary schools, and with spending for the regular session separated from spending for the summer session. Each of the subprograms and type of schools listed above is carefully defined so as to minimize ambiguity as to how transactions are to be classified. This information is the best overall way of comparing Title I schools with other schools.

Second, the CCI structure provides program elements that are intended to correspond to the principal projects for which Title I funds are requested and for which they are expected to be spent. The CCI, for example, provides elements for special activities for the handicapped, transportation, library, and cultural programs. Spending as recorded in these program elements provides a direct way of assuring that within a Title I school, the funds were spent

in the manner intended.

Third, the expense elements in the CCI structure provide amounts spent for teachers, textbooks, library books and periodicals, audio/visual materials and similar objects of expense that have been mentioned as desirable in examining the details of spending.

The CCI structure, as presently constituted, does not provide one piece of information that has been mentioned as being desirable for comparability purposes. This is the amount of salaries that are paid for step increases or other increases for length of service. The intent of asking for this information is to assure that the mix of high-seniority and low-seniority teachers is similar in Title I schools to the mix in other schools. We agree that this is a useful piece of information, but we did not provide for it in the CCI structure because we thought it would unduly complicate that structure. We believe that the necessary information can be obtained outside the formal accounts, either by an annual calculation of the length-of-service payments at each school, or by a nonmonetary number, such as the average age of the teachers at each school.

If it should be decided that the accounting system should provide this information directly, the only modification required in the CCI structure is to add an expense element for length-of-service payments to teachers.

We assume that there is general agreement with the statement that no accounting system can provide perfect assurance that the purposes of Title I have been achieved. For one thing, no accounting system shows how effectively funds were spent; that is, it does not show the outputs of the program. Reliable output information on education programs is rarely obtainable from any source, but certainly not from an accounting system. Another reason that the accounting information is not perfect, is that the comparison necessarily implies that if the per-pupil costs at Title I schools exceed that at other schools by the amount of the Title I grant, the excess truly represents spending for Title I purposes. This is not necessarily so. For a variety of reasons--physical condition, size of school, existing inventory of instructional material and equipment, and the like--the spending patterns of schools vary from one another in ways that may be unrelated to the use of Title I funds. These differences are unlikely to be significant in most cases. Nevertheless, because they exist, the most that can be said is that an accounting system can give reasonable assurance that Title I funds have been used for the intended purpose.

The CCI structure itself does not call for information by individual schools, but only by types of schools. Since the basic organization unit is the school, school districts will doubtless for their own purpose collect data by individual schools. For comparability purposes, all that is needed is to classify the schools in a given district into those that are Title I schools and those that are not.

V. THE SYSTEM FOR LOCAL MANAGEMENT

The management of an individual school district needs more detailed information on costs than is provided in the centrally prescribed system. The CCI structure has been constructed in such a way that this detail can be obtained by creating additional program elements or subprogram elements in the program structure and by creating additional expense detail under the expense elements. Some general comments on the construction of program elements follow, but it must be recognized that these program elements should be designed to fit the circumstances in an individual school district.

The basic constraint is that an additional expense account must be a subdivision of a single account in the CCI structure. If the activity in question applies to more than one of the CCI accounts, then there must be a separate new account for the activity under each of the relevant CCI accounts. This will permit the costs of CCI accounts to be obtained simply by adding the costs of the relevant local accounts. For example, if a school district wishes to collect the cost of instruction in reading, it will simply establish a Reading account under English Language Arts (x.11); if it wishes costs on individual foreign language instruction, it will create as many accounts as are necessary under Foreign Languages (x.12).

Most school districts will want a separate set of accounts for each school or comparable organization unit. This can easily be done. For CCI reporting purposes, however, it will group together

all schools in each CCI category (e.g., all elementary schools).

School districts will use only those CCI accounts that are relevant for their own operation. The accounts described above are the maximum number needed for CCI purposes. Thus, many of the accounts are labelled with a dagger (†); these accounts need be maintained only in those school districts that receive categorical grants that require reports according to those categories. Also, those school districts that do not have middle schools, community colleges, vocational schools, adult education programs, or summer programs will disregard these program categories in the CCI structure.

For local purposes, school districts will need asset and liability accounts. These are intentionally omitted from the CCI structure. Handbook II contains excellent suggestions on the content of such accounts.

For local purposes, school districts will need much more detail on expense elements than is contained in the CCI structure. Again, Handbook II contains suggestions on such detail, although each school district will want to adopt detailed classifications that best meet its own needs.

In summary, the CCI structure provides the skeleton of an accounting system. Each school district must put flesh on this skeleton in a way that best meets the needs of its own management.

In addition to its purpose of describing the maximum amount of financial information that school districts are expected to be able to furnish to the Office of Education, the CCI structure should

also be useful in suggesting ways of organizing and presenting data in budgets and in accounting reports for local management. The structure was designed with this purpose in mind. A brief explanation of the rationale underlying the structure and the way in which it can be used for this purpose is given here.

Budgeting

A budget consistent with the CCI structure is fundamentally different from the traditional "line-item" budget in which the primary basis of classification is by object of expenditure: salaries, textbooks, supplies, and the like. The CCI structure is a program structure. The focus is on the amount that is to be spent for each program, rather than on the types of resources that are to be used. More and more school districts are adopting the program budget approach, and we believe it to be far superior to the traditional line-item approach. By relating proposed spending to the purposes for which the funds are to be spent, decision makers have a much sounder basis for applying their judgments than is the case with line-item budgets.

This does not mean that a classification by object of expense is not needed. It is needed, but primarily by those who are analyzing the details of proposed budgets. At the decision-making level--the superintendent and school board--we believe the focus should be on programs: What programs do we intend to carry out? How much can we afford to spend on each of them?

Because their cost characteristics are likely to differ from one another, there is a separate program for each type of school.

The programs are also arranged so that discretionary and peripheral activities, such as adult education, summer programs, and community services are separated from the programs for the central mission of the organization, that of educating children. This facilitates making judgments about the appropriate spending level for each of these activities.

There is a separate program for system-wide "overhead" costs, and within each program, there is a program for the administrative costs of individual types of schools. Budget analysts and decision makers usually find that a clear separation of these costs from other costs is useful. As a general tendency (to which, of course, there are many exceptions), as large a fraction of available resources as possible should be allocated to instruction and related programs. The decision maker needs to be aware of proposals that may shift emphasis away from the central mission of the school system. The CCI structure encourages this type of analysis.

At the level of program elements and expense elements, accounts in the CCI structure are intended to be useful to the staff analysts who do preliminary work on preparing and analyzing budget requests; these accounts are less likely to be of interest to the decision makers. Proposed changes in funds required to carry on a continuing program (as distinguished from proposals for changes in emphasis of programs, or for new programs) need to be analyzed in detail. The program elements and expense elements provide raw material for such an analysis. In general, this level of detail would not appear on the documents that the decision makers used,

except for certain items, such as athletics, which should be a matter of special interest.

Reporting

Summary reports of spending might well have a format that was consistent with the program structure. Control reports prepared for individual schools and other responsibility centers probably would not follow the program structure, however; instead they might contain data only for controllable items. Such reports, for example, might have no detail on salaries--indeed, the salaries expense element might be omitted entirely--but would have much detail on operation and maintenance of facilities, even though the CCI structure has no detail on these items. Reports on spending thus would have quite a different format from that used in the budget request.

The foregoing comments are necessarily general. For both budget requests and spending reports, the format and contents should be designed to fit the needs of a given school district. These needs vary, depending not only on differences in organization and other substantive matters but also on the personal preferences of the persons involved in the process.

VI. CONCLUSION

We believe that the system described herein meets the criteria of usefulness, feasibility, and consistency with the needs of local school districts. We believe also that school districts would welcome such a statement of the maximum needs for information that they are expected to be able to supply.

At the same time, we recognize that the CCI structure as described here doubtless could be improved. Further discussions with users of cost information within the Office of Education, in local school districts, and elsewhere and discussion also with those responsible for providing the information will turn up ways to make the information more useful. As a minimum, however, the structure proposed here should provide a framework which will make such discussions more orderly than they otherwise would be.

Exhibit I

COMPARABLE COST INFORMATION
ACCOUNT STRUCTURE

Programs

1. Elementary Schools, Regular
2 Elementary Schools, Summer
3 Middle Schools, Regular
4 Middle Schools, Summer
5 High Schools, Regular
6 High Schools, Summer
7 Vocational and Technical Schools, Regular
8 Vocational and Technical Schools, Summer
9 Junior Colleges, Regular
10 Junior Colleges, Summer
11 Adult Education
12 Community Services
19 System-Wide Expenses
20 Nonoperating Costs

Expense Elements

1 Salaries and Related Costs, Teachers
2 Salaries and Related Costs, Other Professional and Technical Personnel
3 Salaries and Related Costs, Other
4 Books and Periodicals
5 Materials and Supplies, other than books and periodicals
6 Equipment

7 Purchased Services

9 Other

Program Elements for Programs 1 through 11, 19, and 20

(1) Program elements marked by a dagger (†) are necessary only if required by an agency that grants funds for the specific functions listed. No program elements are prescribed for Program 11 unless required by a grantor.

(2) Some of the program elements listed here are, in most school districts, treated as system-wide costs. Such school districts should record all such costs under the appropriate system-wide program elements in Program 19, and should not allocate to individual schools.

The elements are repeated in the program elements for individual schools solely for the convenience of those school districts in which the costs are easily identified with individual types of schools. For example, most school districts will record transportation costs in system-wide program element 19.52, rather than under, say, elementary schools, as program 1.52. Most of the program elements under "Pupil Support Services" and under "Other Pupil Support Services" should be treated in this fashion.

x.1 Regular Instruction († for elementary schools and system-wide expenses)

x.11 English Language Arts

x.12 Foreign Languages

x.13 Social Sciences/Social Studies

x.14 Sciences

x.15 Mathematics

x.16 Cultural

x.17 Occupational

x.18 Physical Education

x.19 Other

x.2 Other Instruction†

x.21 Remedial

x.211 English

x.212 Reading

x.213 Social Sciences/Social Studies

x.214 Natural Sciences

x.215 Mathematics

x.216 Cultural

x.217 Foreign Languages

x.219 Other

x.22 Special Education

x.221 Gifted and Talented

x.222 Mentally Handicapped

x.223 Physically Handicapped

x.224 Socially and/or Emotionally Handicapped

x.229 Other

x.29 Other

x.3 Instruction Support

x.31 Libraries

x.32 Audio/Visual

x.33 Other Educational Media

x.39 Other Instruction Support

x.4 Pupil Support Services

x.41 Attendance and Social Work

x.42 Guidance

x.421 Vocational Guidance and Counselling

x.422 Testing

x.429 Other Guidance and Counselling

x.43 Psychological Services

x.44 Health Services

x.45 Special Services for the Handicapped

x.46 Athletics

x.47 Student Activities

x.48 Student Subsidies

x.49 Other

x.5 Other Pupil Support Services

x.51 Food Service

x.52 Transportation

x.59 Other

x.7 Plant Maintenance and Operation

x.8 Administration and General[#] (applies to programs 1-11)

x.81 Instructional Administration

x.811 School-wide Direction and Management

x.812 Instructional Supervision

x.819 Other Instructional Administration

x.82 Personnel Development

x.83 Program Development

x.831 Research and Development

x.832 Planning

x.833 Evaluation

x.834 Demonstration

19.8 System-wide Administration[#]

19.81 Instructional Administration

.811 System-wide Direction and Management

.812 Instructional Supervision

.819 Other Instructional Administration

19.82 Personnel Development

19.83 Program Development

.831 Research and Development

.832 Planning

.833 Evaluation

.834 Demonstration

19.84 General Administration

.841 Information Dissemination

.849 Other

20. Nonoperating Costs.

Exhibit II

PROGRAM DEFINITIONS

1. Elementary Schools, Regular - A program carried on during the regular school term in schools that include at least grades 1-4, and/or kindergarten and nursery schools. By this definition, schools with grades 1-3, 1-4, 1-5, 1-6, 1-7, and 1-8 would be included as elementary schools, as would the schools that have grades 1-12. The regular school term in ungraded schools whose pupils are of the same age group as those in the graded elementary schools should be included here.

2. Elementary Schools, Summer - A program carried on during the period between the end of the regular school term and the beginning of the next school term in schools that include at least grades 1-4, and/or kindergarten and nursery schools. By this definition, schools with grades 1-6, 1-7, and 1-8 would be included as elementary schools, as would the schools that have grades 1-12. Summer programs in ungraded schools whose pupils are of the same ages as those in the graded elementary schools should be included here.

3. Middle Schools, Regular - A program carried on during the regular school term in all schools, other than secondary and elementary, with grades not higher than 10. By this definition, schools with grades 4 and 6, 5-8, 6-8, 5 and 6, 7 and 8, 7-9, 8-9 and other similar patterns might be included as middle schools. The regular school term in ungraded schools whose pupils are of the same ages as those in the graded middle schools should be included here.

4. Middle Schools, Summer - A program carried on during the period between the end of the regular school term and the beginning of the next school term in all schools, other than secondary and elementary, with grades not higher than 10. By this definition, schools with grades

5 and 6, 7 and 8, 7-9, 8-9 and other similar patterns might be included as middle schools. Summer programs in ungraded schools whose pupils are of the same ages as those in the graded middle schools should be included here.

5. Secondary Schools, Regular - A program carried on during the regular school term in schools other than elementary, that include at least grades 11 and 12. By this definition, schools with grades 7-12, 8-12, 9-12, and 10-12 would be included as secondary schools. The regular school term in ungraded schools whose pupils are of the same ages as those in the graded secondary schools should be included here.

6. Secondary Schools, Summer - A program carried on during the period between the end of the regular school term and the beginning of the next school term in all schools that include at least grades 11 and 12. By this definition, schools with grades 9-12 and 10-12 would be included as secondary schools. Summer programs in ungraded schools whose pupils are of the same ages as those in the graded secondary schools should be included here.

7. Vocational or Technical Schools, Regular - A program carried on during the regular school term in schools which are separately organized under a principal for the primary purpose of offering training in one or more skilled or semiskilled trades and occupations; including area vocational schools, which have been approved by the state board of vocational education to provide vocational instruction to residents of the state, a county, a major city, or another designated geographic area larger than one basic administrative unit. It includes such schools

whether federally aided or not. Departments of other types of secondary or middle schools which offer such courses as the commercial, agricultural, home economics, industrial arts, and other applied art courses are not considered as separately organized vocational high schools.

8. Vocational or Technical Schools, Summer - A program carried on during the period between the end of the regular school term and the beginning of the next school term in schools which are separately organized under a principal for the primary purpose of offering training in one or more skilled or semiskilled trades and occupations; including area vocational schools, which have been approved by the state board of vocational education to provide vocational instruction to residents of the state, a county, a major city, or another designated geographic area larger than one basic administrative unit.

9. Junior Colleges, Regular - A program carried on during the regular school term in institutions of higher education which usually offer the first two years of college instruction, frequently grant an associate degree, and do not grant a bachelor's degree. They are either independently organized institutions (public or nonpublic) or institutions which are part of a public school system or an independently organized system of junior colleges. Offerings include college transfer courses and programs and/or vocational, technical, and semiprofessional occupational programs or general education programs at the post-secondary instruction level, and may also include continuing education for adults as well as other community services. This category includes community colleges, which are public schools beginning with grade 13 which offer at least one but less than four years of work

and do not grant the baccalaureate degree.

10. Junior Colleges, Summer - A program carried on during the period between the end of the regular school term and the beginning of the next school term in institutions of higher education which usually offer the first two years of college instruction, frequently grant an associate degree, and do not grant a bachelor's degree. They are either independently organized institutions (public or nonpublic) or institutions which are part of a public school system or an independently organized system of junior colleges. Offerings include college transfer courses and programs and/or vocational,technical, and semiprofessional occupational programs or general education programs at the post-secondary instruction level, and may also include continuing education for adults as well as other community services. This category includes community colleges, which are public schools beginning with grade 13 which offer at least one but less than four years of work and do not grant the baccalaureate degree.

11. Adult Education Programs - Organized public educational programs--other than regular and vocational full-time and summer elementary, middle, and secondary schools, community colleges, and junior college programs--which provide opportunities for adults and out-of-state youth who are beyond the age of compulsory school attendance to further their education, regardless of their previous educational attainment. Only those programs which have as their primary purpose the development of skills, knowledge, habits, or attitudes are included. This development may be brought about by formal instruction or by informal group leadership directed toward recognizable, learning goals. Activities which are

primarily social, recreational, or for the purpose of producing goods are not included. These programs are usually characterized by less than full-time attendance.

12. Community Services - A program which consists of those activities that are not directly relatable to providing education for pupils in public schools; that is, the additional responsibilities delegated to the school system beyond its primary function of providing education. This program also consists of those services, other than public school and adult education functions, provided by the school or the school system for purposes relating to the community as a whole or some segment of the community. Includes such services as community recreation programs, civic activities, public libraries, custody and care of children, and community welfare activities.

19. System-Wide Expenses - A program for those activities which either are conducted primarily at the system level of organization or which cannot be feasibly distributed to the elementary, middle, and secondary schools; vocational or technical schools; and adult programs. Includes the following items: a) Expenses for the provision of regular instruction, other instruction, instruction support, and other pupil services which are provided at more than one level of instructional organization. b) Administration and general system-wide expenses, including those activities of the Office of the Superintendent which involve general direction and management of all affairs of the school system, and the operation and maintenance of facilities in which such activities are carried on.

20. Nonoperating Costs - Amounts recorded in this program represent costs which, although classified as part of operating costs in a school district's own accounting system, are excluded from operating costs for purposes of the Comparable Cost Information structure. These costs include the following (which need not be reported separately for CCI purposes):

1. Payments of principal and interest on bonds, and other loans of more than five-year term.

2. Payments to public school housing authorities or to agencies with similar functions.

3. Judgments against the school system.

4. That part of lease payments for facilities which would not have been paid if the school district had owned the property. (That part of lease expense for facilities which represents the cost of the operation and maintenance of such facilities should be charged to account x.7.)

5. Outlays for equipment, other than those chargeable to operations in accordance with the definition for Equipment, expense element 6.

x.1 Regular Instruction - The expenses of the systematic transmission of a body of knowledge for pupils with a normal range of ability. It may be provided in elementary, middle, secondary, and vocational and technical schools; junior colleges; or outside the confines of the school. It may be transmitted directly by teachers and/or through approved media such as television, radio, telephone, and correspondence.

x.11 English Language Arts - The body of related subject matter or related courses concerned with developing (1) an understanding of the language system; (2) proficiency and control in the use of the English language; (3) appreciation of a variety of literary forms; (4) appreciation of past and present cultures as expressed in literature; (5) interest which will motivate life-long learning. Included are reading, language skills, linguistics, literature, speech, composition, and dramatic arts.

x.12 Foreign Languages - The classical and modern foreign languages, including English when it is being taught primarily as a foreign language.

x.13 Social Sciences/Social Studies - The body of interrelated subject matter organized to impart knowledge and understanding and develop various skills in the disciplines of history, economics, political science, sociology, anthropology, psychology, geography, and philosophy.

x.14 Sciences - The body of related subject matter, or related courses, concerned with imparting knowledge and understanding of the physical and biological world, and the processes of discovering and validating this knowledge.

x.15 Mathematics - The body of related subject matter, or courses, concerned with the science of relations existing between quantities and operations and the science of methods used for deducing from other quantities, known or supposed, the quantities sought.

x.16 Cultural - The body of related subject matter, or related courses, which is concerned with developing skills in, knowledge of, and appreciation of subject matter areas such as art and music.

x.17 Occupational - Programs of studies on the secondary, junior college, and adult educational levels designed for training or retraining individuals for gainful employment or advancement in skilled, semi-skilled, or technical occupations requiring less than baccalaureate degrees. On the elementary and middle levels includes pre-vocational orientation. Included are agriculture, health occupations education, occupational home economics, technical education, trade and industrial occupations, office occupations, and distributive education.

x.18 Physical Education - The body of related subject matter and activities designed to develop (1) knowledge, attitudes, appreciation, and conduct essential to individual and group health; (2) awareness of, concern for, and knowledge, skills, and judgment necessary for practicing and promoting personal and public safety in the home, at school, on the job, and in traffic; and (3) physical and mental growth and fitness by means of activities designed to improve the muscles, motor skills, and attitudes and habits of conduct of individuals and groups.

x.19 Other Regular Instruction - Other related courses, or subject matter, for pupils with a normal range of ability. Included are business, industrial arts, general elementary and secondary education, safety and driver education, and junior R.O.T.C.

x.2 Other Instruction - The expenses of the direct instructional activities which differ from or are in addition to the regular instruction programs. They are designed primarily to deal with the following pupil exceptionalities: (1) learning disability; (2) mentally gifted and talented; (3) mentally retarded; (4) physically handicapped; (5) socially and/or emotionally handicapped; (6) culturally handicapped, including compensatory education. The other instruction activity sites include elementary, middle, and secondary schools; vocational and technical schools; junior colleges; and adult and summer programs; outside the school plant, in the pupil's home, a hospital, a sanitorium, a convalescent home, or in other appropriate settings. The instruction may be offered on a full- or part-time basis by qualified personnel.

x.21 Remedial Instruction - Instructional activities and expenses designed for the academically and/or culturally disadvantaged, to assist pupils who are weak in a particular subject area by providing them with additional or alternative instruction.

x.211 English, Remedial - Remedial instruction in language skills, linguistics, literature, composition, speech, and dramatic arts (but not reading).

x.212 Reading, Remedial - Remedial instruction in reading skills. Includes such programs as reading readiness, beginning reading, basal reading, and remedial reading.

x.213 Social Science/Social Studies, Remedial - Remedial instruction in the body of interrelated subject matter organized to impart knowledge and understanding and develop various skills in the disciplines of history, economics, political science, sociology, anthro-

pology, psychology, geography, and philosophy.

x.214 Natural Sciences, Remedial - Remedial instruction in the courses concerned with knowledge of the physical and biological world.

x.215 Mathematics, Remedial - Remedial instruction in the courses concerned with knowledge of mathematics.

x.216 Cultural, Remedial - Remedial instruction in the subject matter areas such as art and music.

x.217 Foreign Language, Remedial - Remedial instruction in the classical and modern foreign languages, including English when it is being taught as a foreign language.

x.219 Other, Remedial - Remedial instruction in subjects or related courses other than those classified above.

x.22 Special Education - The expenses of the direct instructional activities designed to deal primarily with the following pupil exceptionalities: (1) Gifted and talented; (2) mentally retarded; (3) physically handicapped; (4) socially and/or emotionally handicapped. These activities are different from or in addition to those provided in the usual school program. Special education may be provided in special classes on a full-time or part-time basis; outside the school plant in the pupil's home, a hospital, a sanatorium, or a convalescent home; or in other appropriate settings.

x.221 Gifted and Talented, Special Education - Special instruction for individuals who have been identified by professionally qualified personnel as talented and gifted and in need of additional educational opportunities beyond what is provided by the usual school program if they are to be educated to the level of their ability.

x.222 Mentally Retarded, Special Education - Special education for individuals whose level of mental development is such that they have been identified by professionally qualified personnel as unable, without special help, to profit from the usual school program. In practice, mental retardation has come to mean an intelligence quotient (IQ) below 75 or 80 on validly administered standard individual intelligence tests.

x.223 Physically Handicapped, Special Education - Special education for individuals with an atypical physical condition that adversely affects their performance as identified by qualified professional personnel. Individuals with marked physical handicaps may be classified into groups such as: the blind, the partially seeing, the deaf, the hard of hearing, the speech impaired, the crippled, and those having special physical health problems resulting from various diseases and conditions.

x.224 Socially and/or Emotionally Handicapped, Special Education - Special education for individuals who have been identified by qualified professional personnel as having either a deficiency or abnormality of the emotions that adversely affects the stability or performance of an individual and/or an abnormality or variation in inter-

personal relations that adversely affects the social adjustment of an individual.

x.29 Other - The expenses of the other activities which differ from or are in addition to the regular instruction programs. Includes Department of Labor programs and programs for delinquent or migrant pupils.

x.3 Instruction Support - The expenses of the services which directly support the provision of regular and other instruction, and which are necessary for the pupil's mastery of the substantive content of the regular and other instruction programs.

x.31 Libraries - The expenses of organizing and managing libraries of books. It consists of ordering, cataloging, processing and circulating books; planning the use of the library by teachers and pupils; selecting books; participating in faculty planning for the use of books; and guiding teachers and pupils in the use of the library. Textbooks are not to be charged to this account but to the "regular instruction" and "other instruction" accounts. The direct expenses of opening the school library to the public after school hours are to be charged to the "Community Services" account.

x.32 Audio/visual - The expenses of preparing, caring for, and making available the audio/visual equipment, materials, scripts, and other aids which assist teaching and learning through special appeal to the senses of sight and hearing. It consists of ordering, cataloging, processing, and circulating audio/visual materials and equipment; selecting audio/visual materials, and participating in faculty planning

for the use of audio/visual materials.

x.33 Other Instructional Media - The expenses of the activities of planning, programming, writing, and presenting educational programs or segments of programs by way of closed circuit or broadcast television and/or educational programs or segments of programs which have been especially programmed for a computer to be used as the principal medium of instruction and/or instructional media services other than those classified above.

x.39 Other Instruction Support - The expenses of other activities which directly support the provision of regular and other instruction.

x.4 Other Pupil Support Services - The expenses for those activities which are conducted for the benefit of the pupils; but not directly in support of the instructional programs.

x.41 Attendance and Social Work - The expenses of those activities which promote and improve school attendance and which are meant to prevent or solve the personal, social, and emotional problems of pupils which involve family, school, and community relationships and which have a bearing on the quality of the school work of the pupils. Attendance activities include early identification of patterns of nonattendance, promoting positive pupil and parent attitudes toward attendance, analysis of causes of nonattendance, and enforcement of compulsory attendance laws. Social work activities include diagnosing the problems of pupils arising from the home, school, or community; casework services for the child, parent, or both; interpreting problems of pupils for other staff members; and promoting modification of the circumstances surrounding the individual pupil.

x.42 Guidance and Counselling - The expenses of the process in which the pupil is assisted in planning and preparing for his immediate and future educational program and/or social guidance in which the pupil is helped to resolve matters of personal and/or social concern.

x.421 Vocational Guidance and Counselling - The expenses of the process in which the pupil is assisted in utilizing his aptitudes and abilities to attain realistic career goals in semiskilled, skilled, or technical occupations requiring less than baccalaureate degrees.

x.422 Testing - The expenses of the activities of administering educational and psychological tests. "Testing" means the use of tests which measure abilities from which aptitudes for the individual's educational or career development validity may be inferred.

x.429 Other Guidance and Counselling - The other expenses of the process in which the pupil is assisted in planning and preparing for his immediate and future educational program and personal and/or social guidance in which the pupil is helped to resolve matters of personal and/or social concern.

x.43 Psychological Services - The expenses of the study of individual pupils experiencing acute problems of educational development; the provision of diagnostic information; recommendations of remedial programs concerning psychological aspects of these problems; and assisting the school staff in developing insights into the psychological needs of pupils necessary to the promotion of efficient learning and the optimum development of all pupils.

x.44 Health Services - The expenses of the physical health services which are not direct Instruction. It includes activities involved

with providing the pupil with appropriate medical, dental, and nurse services.

x.45 Special Services for the Handicapped - The expenses of the special activities undertaken to provide the needed services for supporting the type of instruction which will enable handicapped children to acquire the best education that they are capable of acquiring.

x.46 Athletics - The net expenses of those activities involved with interscholastic and/or intramural athletic programs.

x.47 Student Activities - The net expenses of those activities, under the direction of the school, for which participation generally is not required and credit generally is not given. Such activities often include student organizations which are managed and operated by pupils under the guidance and supervision of qualified adults for the purpose of pursuing common goals and objectives; entertainments such as plays, shows, fairs, etc., which are sponsored by the school and staged by the pupils and teachers of the school; publications produced and published by students under the guidance and supervision of teachers; clubs and other co-curricular activities--such as school clubs, baths, savings banks--which are sponsored by the school for its pupils; bands; orchestras; and service activities. Activities for which credit is given or participation is required are usually considered to be instructional in nature and their expenses should not be charged to this account.

x.48 Student Subsidies - The expenses of those activities which have as their purpose the support of students through direct financial aid. It includes welfare relief to indigent children and adults and any expenses for disaster relief. The primary purpose of the expenses

in this account is to enable the student to attend school. If, however, the primary purpose is not to enable attendance, the expenses should be charged to the "Community Services" account.

x.49 Other - The expenses of other activities which indirectly support the provision of regular and other instruction.

x.5 Other Pupil Support Services

x.51 Food Services - The expenses of those activities involved with the management and operation of the food services program of the school or school system. It includes the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities, and the delivery of food.

x.52 Transportation - The expenses of transporting pupils to and from school in school buses and small vehicles.

x.59 Other

x.7 Plant Maintenance and Operation - The expenses of those activities involved with keeping the physical plant open and ready for use and keeping the grounds, buildings, and equipment in an effective working condition and state of repair. Includes the activities involved in care and upkeep of buildings such as cleaning the buildings of school plants or supporting services facilities, operating such equipment as heating and ventilating systems, preserving the security of school property, keeping the school plant safe for occupancy and use, and keeping the buildings and built-in equipment of the school system at their original condition of completeness and efficiency; care and upkeep of grounds such as maintaining the grounds and the equipment on the grounds (other than buildings) owned or used by the school or school

system in a state of good condition and repair; care and upkeep of equipment, such as servicing and repairing furniture, machines and other equipment that is not built-in; and other plant maintenance and operation activities.

x.8 Administration and General - The expenses of administration and of personnel development and program development for individual schools.

x.81 Instructional Administration - The expenses of those activities concerned with overall administrative responsibility for a single school.

x.811 School-Wide Direction and Management - The expenses of those activities which have as their purpose the direction and management of the school. Consists of professional leadership and management activities related to the office of the principal.

x.812 Instructional Supervision - The expenses for those activities which have as their purpose the improvement of teaching through a program of leadership, guidance, and assistance designed to aid teaching staff and to improve teaching activities. It consists of such activities as supervising instruction, developing and improving curricula and curricula materials, and guiding teachers in the use of instructional materials.

x.819 Other Instructional Administration - The expenses of the other activities involved in instructional administration.

x.82 Personnel Development - The expenses of in-service or pre-service education activities which are directly traced to a given level of instructional organization. Includes orientations of less than a one-time-equivalent week; workshops having a duration of one-full-time

equivalent week or more or college courses which are not taken for credit; and in-service and pre-service training programs for which college credit is given. These activities are directed or promoted by the school system, or approved by it, and contribute to the professional or occupational growth and competence of staff members during the time of their service to the school system.

x.83 Program Development - The expenses of those activities associated with conducting and managing programs of research and development, planning, evaluating, and demonstration that are directly traced to a given level of instructional organization.

x.831 Research and Development - The expenses of those activities which have as their purpose the provision of means for applying the technology, methods, and strategies of science to the solutions of problems of a research nature which are peculiar to the operation of schools; and for the technical activities concerned with nonroutine problems which are encountered in translating research findings or other general scientific knowledge into processes.

x.832 Planning - The expenses of those activities which have as their purpose gathering and analyzing information relevant to needs, identifying alternative program designs, and selecting the best alternatives.

x.833 Evaluation - The expenses of those activities which have as their purpose the determination of the effectiveness, efficiency, and relevance of programs in terms of stated objectives. Includes evaluation of all aspects of education; direct instruction as well as supportive services.

x.834 Demonstration - The expenses of those activities which have as their purpose the showing and demonstrating of the method of operation, the performance, or the results of an activity which has already been developed and tested so as to facilitate wide application.

19.8 System-wide Administration - The expenses of those activities concerned with establishing policy, operating schools and the school systems, and providing the essential facilities and services for the staff and pupils.

19.81 Instructional Administration - The expenses of those activities associated with assisting the instructional staff with the content and process of providing learning expenses for pupils, on a system-wide basis.

19.811 System-wide Direction and Management - The expenses of those activities which have as their purpose the direction and management of the program of instruction for a school system. It consists of the professional leadership and management activities related to instruction by such staff members as the assistant superintendent for instruction.

19.812 Instructional Supervision - The expenses for those activities which have as their purpose the improvement of teaching through a system-wide program of leadership, guidance and assistance designed to aid teaching staff and to improve teaching activities. It consists of such activities as supervising instruction, developing and improving curricula and curricula materials, and guiding teachers in the use of instructional materials.

19.819 Other Instructional Administration - The expenses of

the instructional administration activities other than those separately classified above.

19.82 Personnel Development - The expenses of system-wide in-service or pre-service educational activities. Included are orientations of less than a one-time-equivalent week; workshops having a duration of one-full-time equivalent week or more or college courses which are not taken for credit; and in-service and pre-service training programs for which college credit is given. These activities are directed or promoted by the school system, or approved by it, and contribute to the professional or occupational growth and competence of staff members during the time of their service to the school system.

19.83 Program Development - The expenses for those activities, on a system-wide basis, which are associated with conducting and managing programs of research, planning, development, and evaluation for a school system.

19.831 Research and Development - The expenses for those activities which have as their purpose the providing of means for applying the technology, methods, and strategies of science to the solutions of problems of a research nature which are peculiar to the operation of schools; and for the technical activities concerned with nonroutine problems which are encountered in translating research findings or other general scientific knowledge into processes.

19.832 Planning - The expenses for those activities which have as their purposes gathering and analyzing information relevant to needs, identifying alternate program designs, and selecting the best alternatives.

19.833 Evaluation - The expenses for those activities which

have as their purpose the determination of the effectiveness, efficiency, and relevance of programs in terms of stated objectives. Includes evaluation of all aspects of education: direct educative services, supporting services, and ancillary services.

19.834 Demonstration - The expenses for those activities which have as their purpose the showing and demonstrating of the method of operation, the performance or the results of an activity which has already been developed and tested so as to facilitate wide application.

19.84 General Administration - The expenses of those activities associated with the overall administration of the entire school system.

19.841 Information Dissemination - The expenses for those activities which have as their purpose informing the public about the condition and progress of education in the school system. Consists of such activities as planning and managing the publication of information about the school system, and directing and managing any other systematic public relations service for the school system.

19.849 Other, General Administration - The expenses of those activities which have as their purpose over-all responsibility for the entire school system. It consists of the activities performed by the superintendent and his executive assistant in directing and managing all affairs of the school system. It includes those activities concerned with managing and conducting the fiscal operations of the school system: i.e., budgeting, receiving and disbursing, financial accounting, internal auditing, and purchasing, as well as the expenses of the Board of Education, and other general administration activities.

Exhibit III

EXPENSE ELEMENTS

1. Salaries and Related Costs, Teachers - The salaries and employee benefits of teachers.

Teacher - An assignment to a staff member to instruct pupils in course or non-course instructional situations.

Salaries - Amounts paid to or for the benefit of employees of the school system who are considered to be in positions of a permanent or temporary nature, including personnel substituting for those in permanent positions. This includes gross salary for personal services rendered while ON THE PAYROLL of the local education agencies, including overtime salaries.

Employee Benefits - The amounts paid by the school system in behalf of employees over and above the gross salary. They are fringe benefit payments, and, while not paid directly to employees, nevertheless are part of the cost of salaries and benefits. Examples are: (a) Group Health or Life Insurance, (b) Contributions to Employee Retirement, (c) Social Security, (d) Workmen's compensation, and (e) Payments made to personnel on sabbatical leave.

2. Salaries and Related Costs, Other Professional and Technical Personnel - The salaries and benefits of personnel, other than teachers, who receive assignments of such nature that they are exempted from Sections 6 and 7 of the Fair Labor Standards Act (FLSA) of 1938, as revised on May 5, 1961 (P. L. 87-30, 75 Stat. 65) and September 23, 1966 (P.L. 89-601, 80 Stat. 830). Such exemptions normally apply to any employee employed in a bona fide executive, administrative, or professional capacity

including any employee employed in the capacity of academic administrative personnel in elementary or secondary schools. Employees with non-teaching professional and technical assignments who do not spend 40 per cent of their time in these assignments will be classified as either teachers (expense element 1) or other personnel (expense element 3), in accordance with their responsibilities.

3. Salaries and Related Costs, Other - The salaries and benefits of personnel who receive assignments of such nature that they are not exempted from Sections 6 and 7 of the Fair Labor Standards Act.

4. Books and Periodicals - The expenses of textbooks, library books, and periodicals.

Textbooks - The expenses for prescribed books which are purchased for pupils or groups of pupils, and resold or furnished free to them. This category includes the costs of workbook binding or repairs, as well as the net amount of textbooks which are purchased to be resold or rented.

Library Books - The expenses for regular or incidental purchases of library books available for general use by students, including any reference books, even though such reference books may be used solely in the classroom. Also recorded here are costs of binding or other repairs to school library books.

Periodicals - The expenses for periodicals and newspapers for general use by the school library. A periodical is any publication appearing at regular intervals of less than a year

and continuing for an indefinite period.

5. Materials and Supplies, Other than Books and Periodicals - The expenses of material items of an expendable nature that are consumed, worn out, or deteriorated in use; or items that lose their identity through fabrication or incorporation into different or more complex units or substances. The expenses should include the costs of freight and cartage of the materials and supplies. A supply item is any article or material which meets any one or more of the following conditions: (1) It is consumed in use; (2) It loses its original shape or appearance with use; (3) It is expendable; that is, if the article is damaged or some of its parts are lost or worn out, it is usually more feasible to replace it with an entirely new unit rather than repair it; (4) It is an inexpensive item, having characteristics of equipment, whose small unit cost makes it inadvisable to capitalize the item; or (5) It loses its identity through incorporation into a different or more complex unit or substance.

6. Equipment - The expenses for additional or replacement items of equipment of relatively small unit cost. An equipment item is a movable or fixed unit of furniture or furnishings, an instrument, a machine, an apparatus, or a set of articles which retains its original shape and appearance with use and has a relatively long life. Equipment which has a unit cost of more than $500 should not be charged to this or any other operating account; it should be capitalized. The equipment provided for a new or rehabilitated facility should also be capitalized.

7. Purchased Services - Expenses paid for personal services rendered

by personnel who are not on the payroll of the local education agency, and other services which the local education agency may purchase. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided in order to obtain the desired results. Included in purchased services are:

Professional and Technical Services, Communication, Travel, Transportation, Advertising, Printing and Binding, Insurance and Bond Premiums, Property Insurance, Liability Insurance, Public Utility Services, Repairs and Maintenance Service, Rentals, Tuition.

9. Other Expenses - Expenses for goods and services not otherwise classified above. This includes payment of debt, and the payment of dues and fees to professional organizations.